



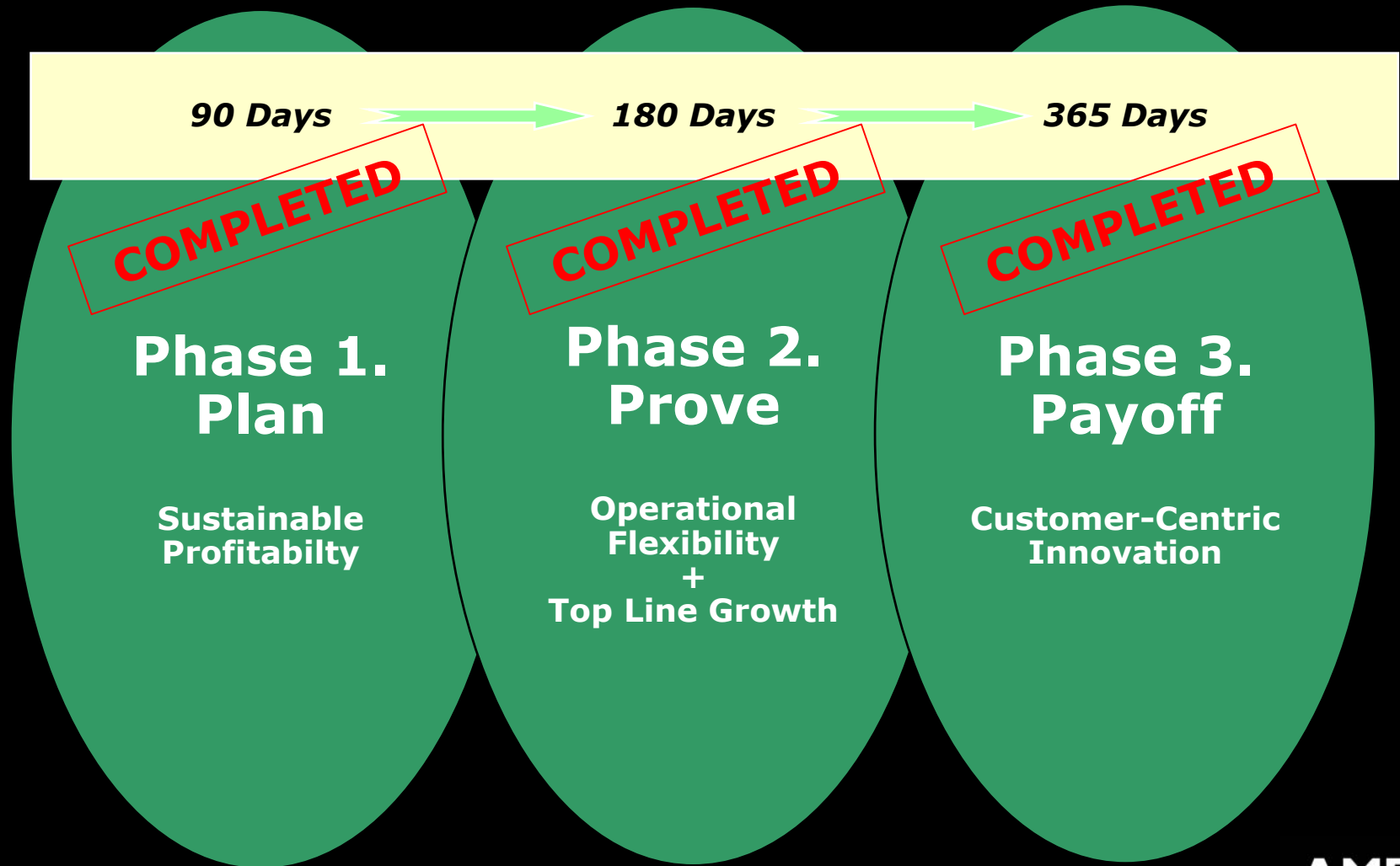
Robert J. Rivet

EVP and Chief Financial Officer

November 12, 2004

- Recent Financial History
  - We're doing what we said we would do...
- Long-term Operating Targets
- Improving our Capital Structure
- Outlook for 2005

# AMD's Three-Phase Plan has been Completed



# We Are Doing What We Said We'd Do...



## Revenue optimization

**Solid revenue growth and execution**



- **YTD, ~2X Industry growth:**
  - AMD Sales up 62%
  - CPG Sales up 30%
  - MG Sales up 116%

## Pricing

**Disciplined pricing and brand strategy**



- **MPU ASP growth, 5 of last 6 Q's**
- **Narrowing the competitive MPU pricing gap**

## Spanion synergies

**Continue to integrate Spanion**



- **YTD MG Improvements:**
  - \$261M operating profit
  - 13% pts. gross margin

## Cost variabilization

**Variable / Fixed cost structure improving**



- **Variable costs % have increased from 20% to 30% in past 2 years**

## Consistent profitability

**Sustainable prosperity**

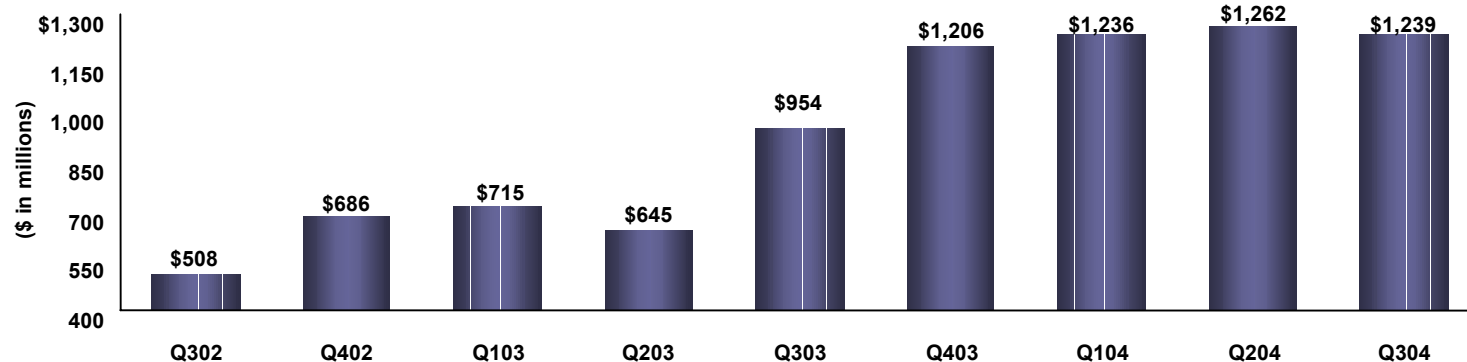


- **Four profitable quarters in a row**
- **\$481M op. inc. improvement, YTD**
- **6% pts. GM improvement, YTD**
- **Excellent technology node transitions**

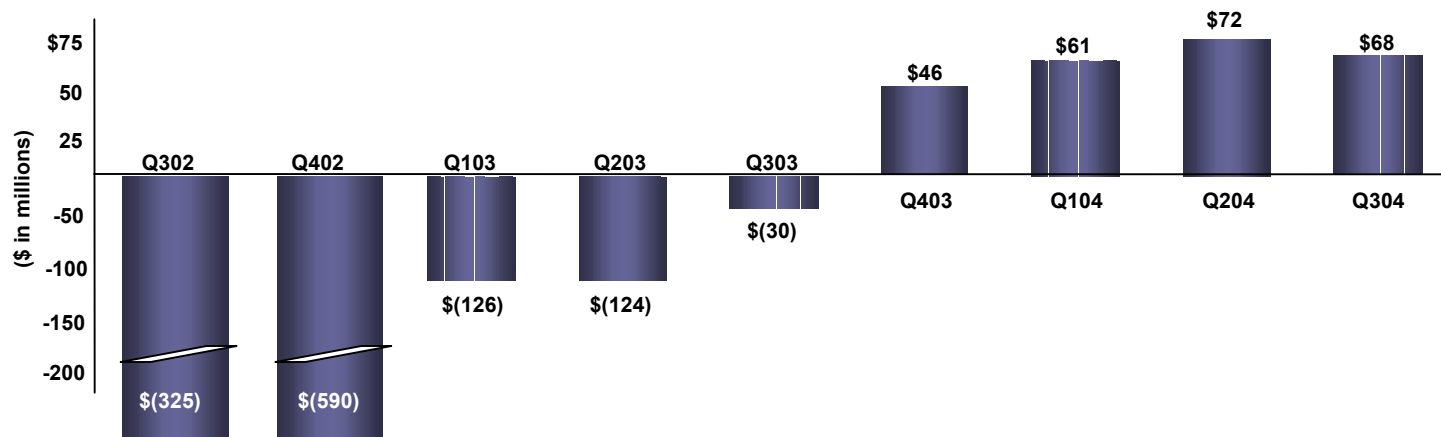
# Significant Improvement in Quarterly Sales and Operating Income (Loss)



## Quarterly Sales



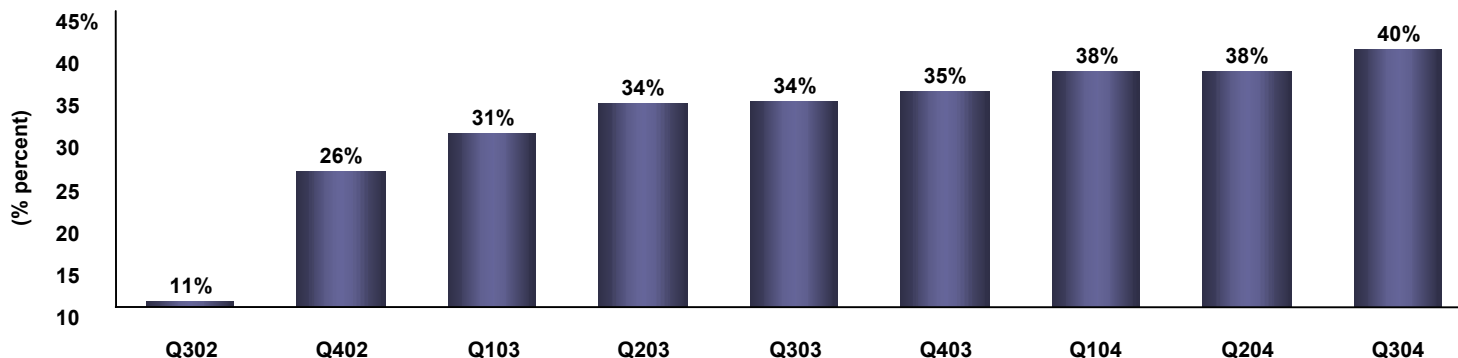
## Quarterly Operating Income (Loss)



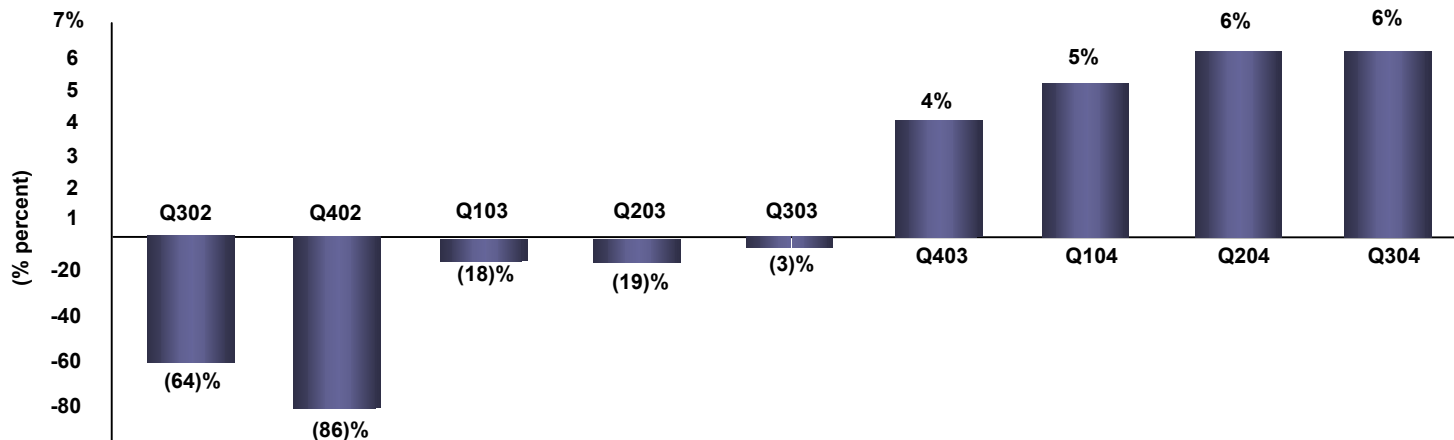
# And Further Improvement in.....



## Quarterly Gross Margin



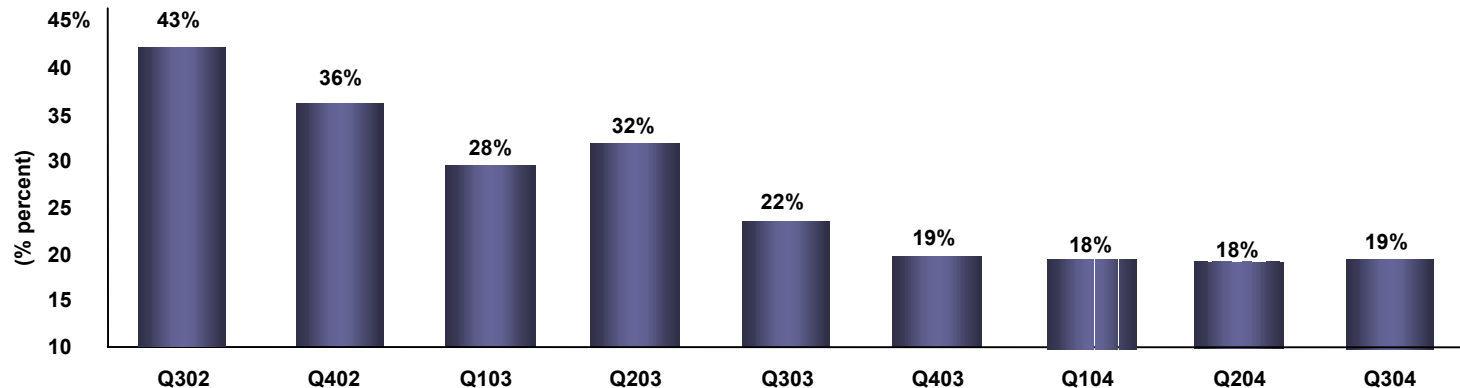
## Quarterly Operating Income (Loss) % of Sales



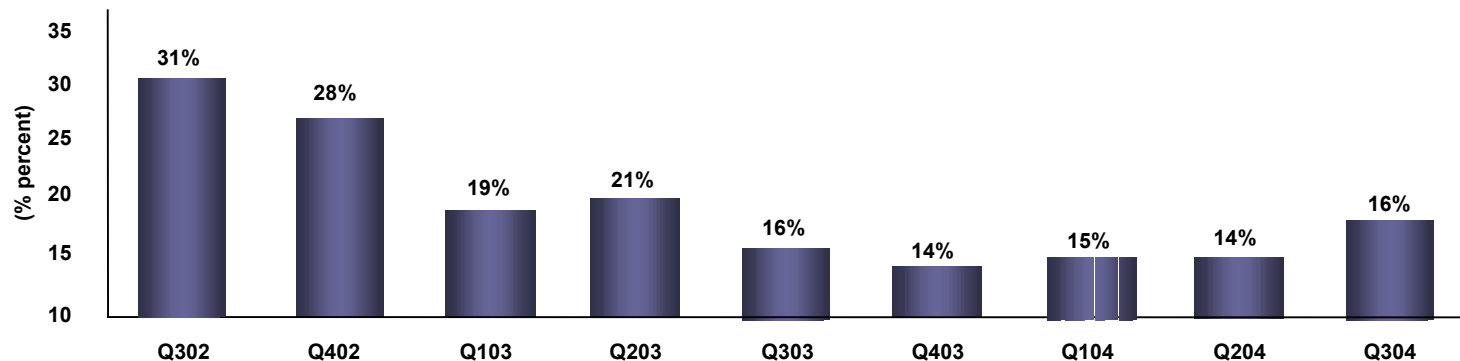
.....and Additional Improvement in.....



## Research & Development (R&D) % of Sales



## Marketing, General & Administrative (MG&A) % of Sales



## Long-term Target Model: **AMD**



	<u><b>Q3-02</b></u>	<u><b>Q3-03</b></u>	<u><b>Q3-04</b></u>	<u><b>TARGETS</b></u>
Revenue	100%	100%	100%	<b>100%</b>
Gross margin	11%	34%	40%	<b>42-47%</b>
R&D	43%	22%	19%	<b>14-16%</b>
MG&A	<u>31%</u>	<u>16%</u>	<u>16%</u>	<u><b>9-11%</b></u>
Operating Inc.	(64)%	(3)%	6%	<b>15-20%</b>



	<b>TARGETS</b>	
Revenue	<b>100%</b>	
Gross margin	<b>53-60%</b>	<ul style="list-style-type: none"><li>• Technology transitions and manufacturing excellence</li><li>• Enterprise penetration</li><li>• Expanding into new markets</li></ul>
R&D	<b>17-22%</b>	<ul style="list-style-type: none"><li>• IBM joint development agreement</li><li>• Leveraging AMD64 architecture</li></ul>
MG&A	<b><u>12-16%</u></b>	<ul style="list-style-type: none"><li>• Leveraging marketing investments</li></ul>
Operating Inc.	<b>20-25%</b>	<ul style="list-style-type: none"><li>• 12% YTD</li><li>• 13% Q3-04</li></ul>

**We're 1/2  
way there**

	<b>TARGETS</b>	
Revenue	<b>100%</b>	{ <ul style="list-style-type: none"><li>• Technology transitions &amp; mfg. excellence</li><li>• MirrorBit technology</li></ul> }
Gross margin	<b>30-35%</b>	
R&D	<b>8-12%</b>	{ <ul style="list-style-type: none"><li>• Spansion synergies</li><li>• Leveraging MirrorBit™ architecture</li></ul> }
MG&A	<b><u>6-8%</u></b>	
Operating Inc.	<b>13-17%</b>	{ <ul style="list-style-type: none"><li>• 4% YTD</li><li>• 3% Q3-04</li></ul> }

**Making  
progress**

# Long-term Balance Sheet Objectives



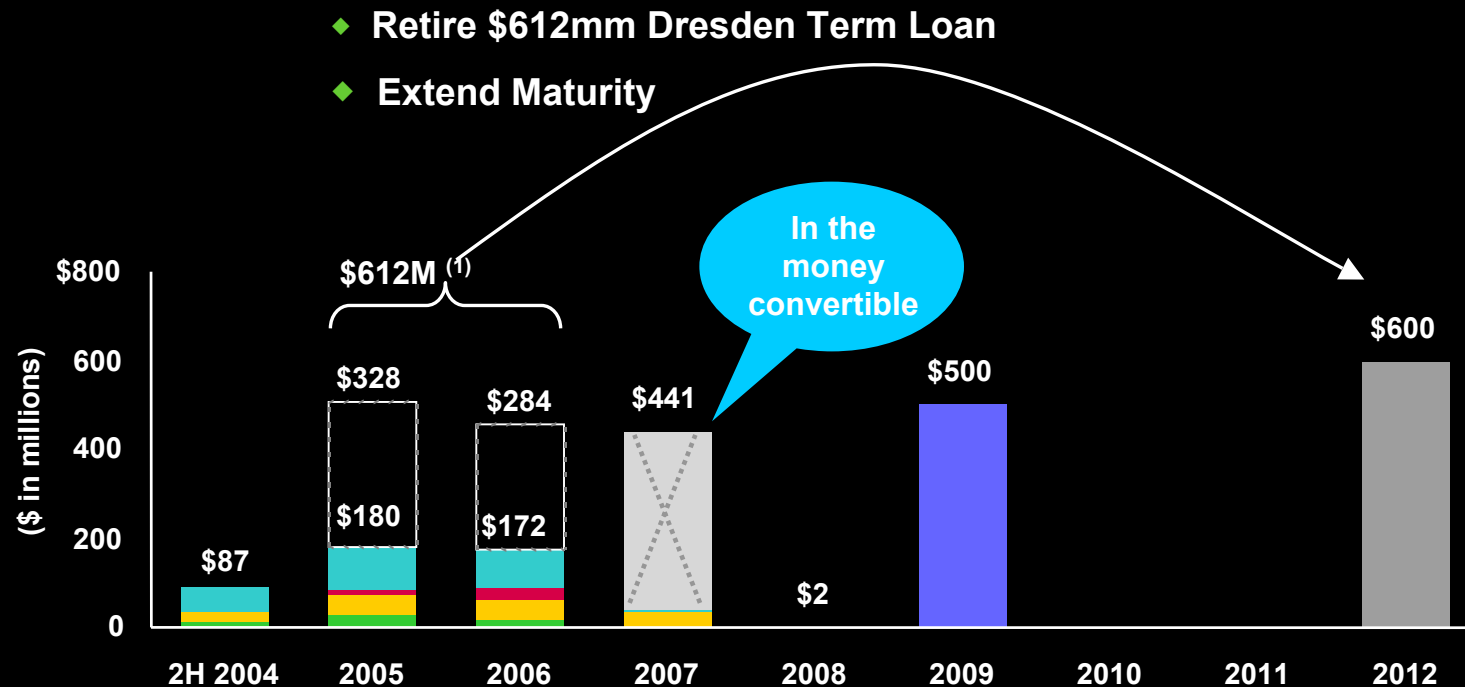
	<u>Q3-03</u>	<u>Q3-04</u>	<u>TARGETS</u>
S&P Credit Rating	B-	B stable	<b>Inv. Grade</b>
Debt/Capital Ratio	41%	38%	<b>~20%</b>
Minimum Cash	\$1.1Bn	\$1.2Bn	<b>~\$1Bn</b>
DSO's	48	58	<b>40 - 45</b>
Cash Conversion Cycle*	100	83	<b>50 - 60</b>
Current Portion of Debt	\$201M	<del>\$531M</del> \$216M	<b>≤ 10% of cash</b>

\* CCC = DSO + DIO - DPO

# Senior Note effect on Pro Forma Amortization Schedule



- 7.75% Senior Notes due 2012 in a private offering



- |                          |                     |                            |
|--------------------------|---------------------|----------------------------|
| ■ New 7.75% Senior Notes | ■ 4.75% Convert     | ■ July 2003 FASL Term Loan |
| ■ Manuf. J.V. Term Loan  | ■ Fujitsu Cash Note | ■ Capital Leases / Other   |
| □ Dresden Term Loan      | ■ 4.50% Convert     |                            |

Note: Convertible debt due 2007 (conversion price at \$7.37) shown as debt for illustrative purposes.

(1) Dresden Term Loan outstanding

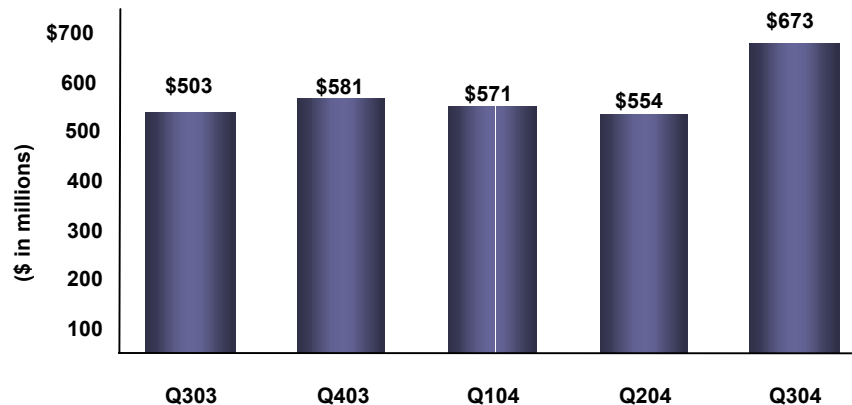
- To help de-lever our balance sheet, AMD exchanged \$130M of our \$402.5M convertible senior notes:
  - Oct '04, exchanged \$70.0 million
  - Nov '04, exchanged \$60.0 million
- Expect to take a Q4-04 non-cash charge of ~\$26M
- Exchanges-to-date drive a 2 point improvement to our debt / capital ratio
- Fully diluted share count is not effected by this transaction

# AMD's 2005 Outlook – CPG

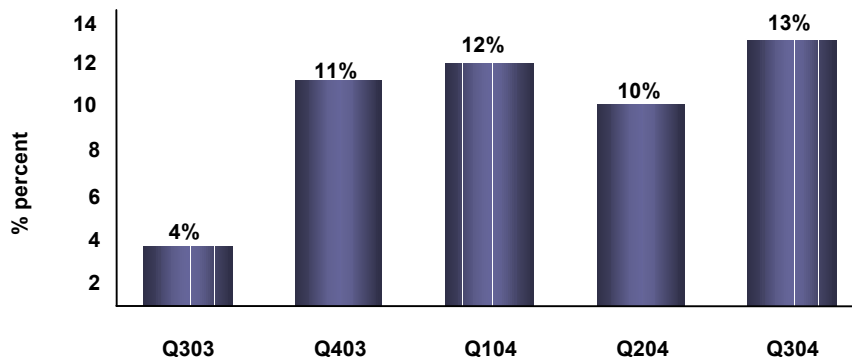
Current plan for 2005 assumes the following:



## Quarterly Sales



## Quarterly Operating Income (Loss) % of Sales



YTD Sales	\$1,798M
YTD Operating income	\$ 214M
YTD Operating income as a % of sales	12%

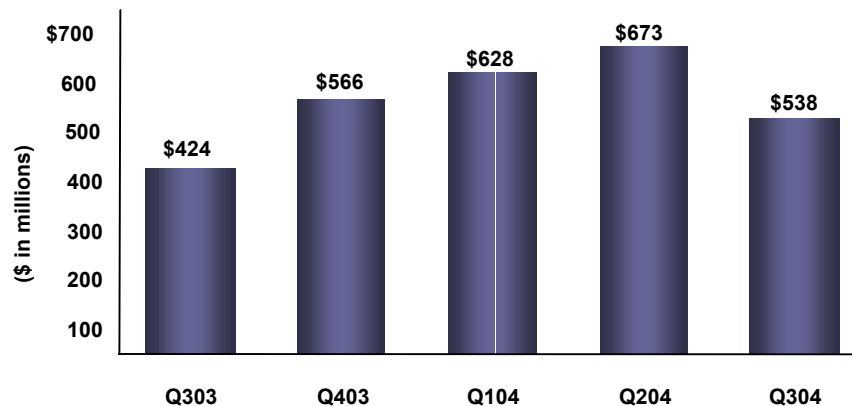
- Sales expected to outpace MPU market
- Gross margin expected to improve
- R&D expenses expected to increase due to Fab36 start up costs
- MG&A expenses expected to increase but decline as a percentage of sales

# AMD's 2005 Outlook – MG

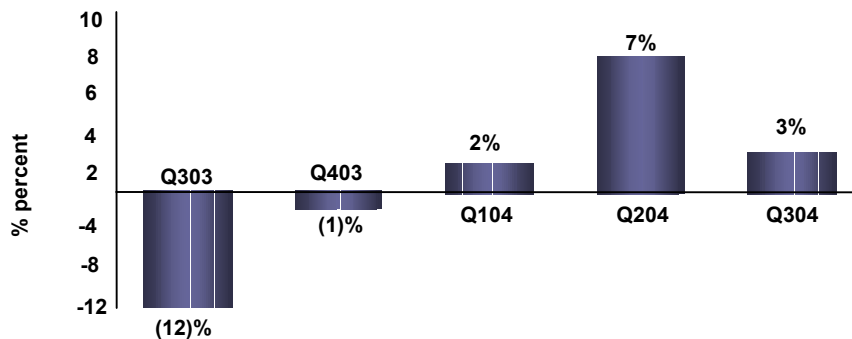
Current plan for 2005 assumes the following:



## Quarterly Sales



## Quarterly Operating Income (Loss) % of Sales



YTD Sales	\$1,839M
YTD Operating income	\$ 74M
YTD Operating income as a % of sales	4%

- Sales expected to outpace Flash Memory market
- Gross margin expected to improve
- R&D expenses expected to be stable
- MG&A expenses expected to be ~flat

## AMD's 2005 Outlook – PCSG

Current plan for 2005 assumes the following:



- Global launch of PIC and x86 everywhere
- R&D expenses expected to be relatively flat
- Minimal capital investments
- Potentially accretive as we exit 2005





- **Sales expected to outpace the MPU and Flash memory markets**
- **Total R&D \$ expenses and as a % of sales are expected to be up**
  - primarily due to FAB36 start-up costs of ~\$200M
- **Total MG&A \$ expenses will be up, but as a % of sales are expected to decline**
- **Gross Margin for both businesses is expected to increase**
- **Operating profit and EPS should improve**
- **Tax rate expected be in the 10% - 20% range**

# AMD's 2005 Outlook

Current plan for 2005 assumes the following:

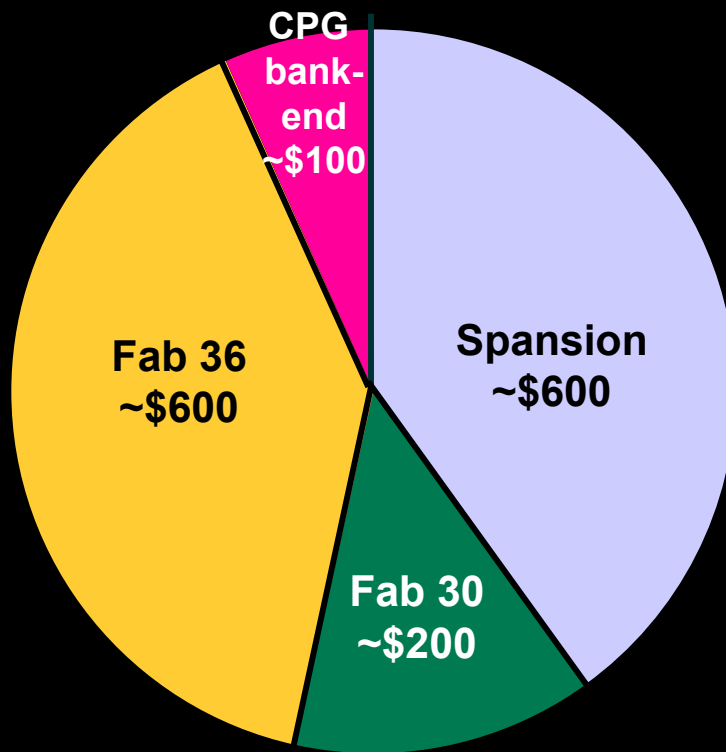


- **CAPEX expected to remain flat at ~\$1.5Bn**
- **Depreciation and amortization expected to be ~\$1.2Bn**
- **Expected operating cash flow expected to be ~\$1.4Bn**
- **Free cash flow relatively neutral (Fab 36 grants / subsidies)**
- **Plan to continue to de-lever the balance sheet**

# Estimated CAPEX Comparison: 2004 & 2005 (\$ Millions)

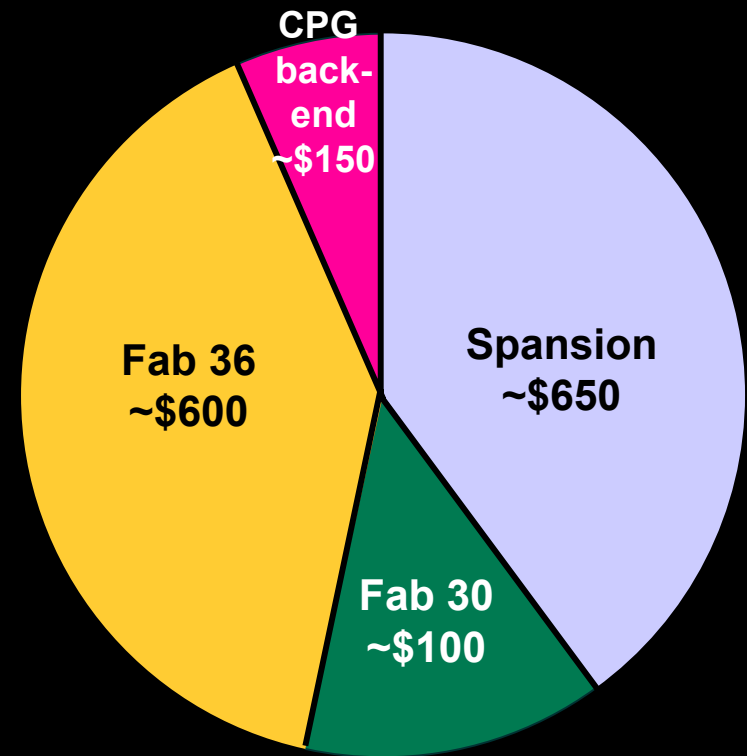


**2004**



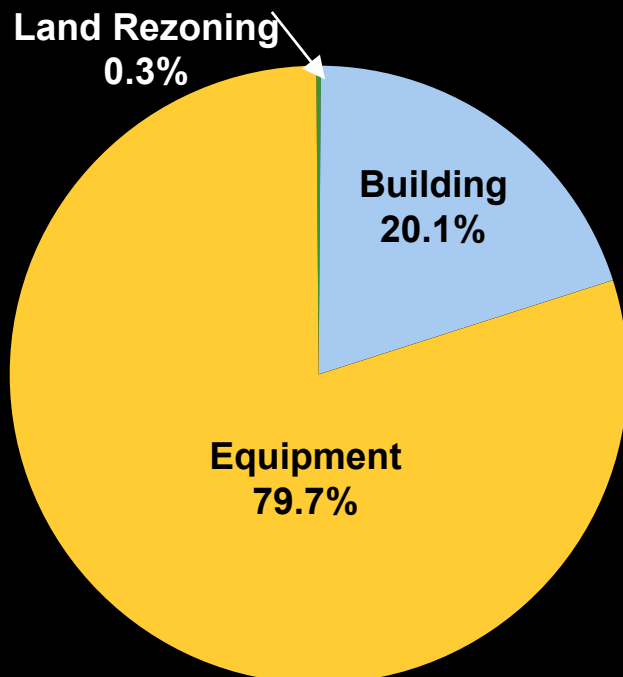
**Total: ~\$1.5 Bn**

**2005**

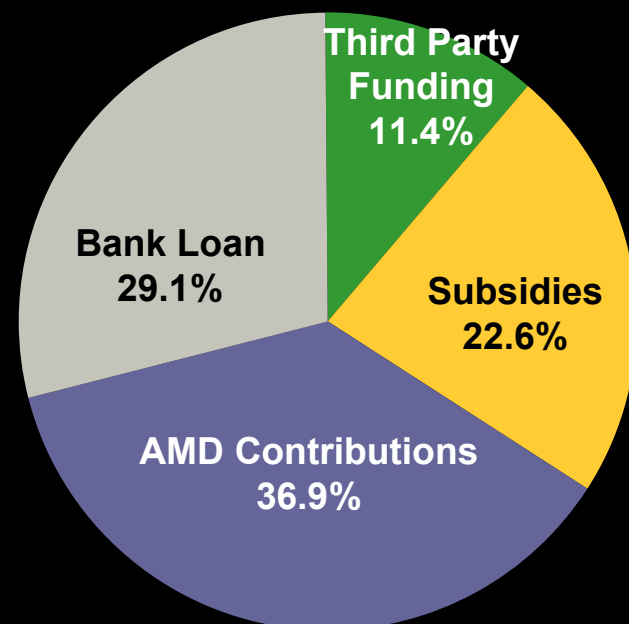


**Total: ~\$1.5 Bn**

## Total Capex thru 2007 (\$2.5 Bn)\*



## Sources of Funding (\$2.5 Bn)



***Plan to spend ~\$600M in 2004***

- Spent \$402M thru Q3-04
- ~\$200M to be invested in Q4-04

# Free Cash Flow



(\$ Billions)	<b>2003 A.</b>	<b>2004 E.</b>	<b>2005 E.</b>
<b>Operating Cash Flow</b>	\$0.3	\$1.3	\$1.4
<b>Capital Investments</b>	\$0.6	\$1.5	\$1.5
<b>Free Cash Flow</b>	(\$0.3)	(\$0.2)	(\$0.1)
<b>Proceeds from:</b>			
• <b>Fab 36 Unaffiliated Ltd. Partners</b>	N/A	\$0.3	\$0.1
• <b>Fab 36 Grants and Subsidies</b>	N/A	\$0.0	\$0.1
<b>Adjusted Free Cash Flow</b>	(\$0.3)	\$0.1	\$0.1

## Summary:



- Executing to plan
- Progressing to achieving our long-term targets
- De-levering the balance sheet and maintaining sufficient liquidity
- Focusing on free cash flow
- Maintaining consistent profitability



AMD, the AMD Arrow logo and combinations thereof are trademarks of Advanced Micro Devices, Inc. Other product names used in this presentation are for identification purposes only and may be trademarks of their respective companies.